Insurance Industry

UCP Guide

A guide to determining the unclaimed property you need to track and report

Property & Casualty Insurance Drafts

The Uniform Unclaimed Property Act specifically applies to drafts which are not "offers to settle" claims and are liquidated in amount.

Drafts for goods and services are generally recognized as being liquidated in amount and are covered under unclaimed property law. Furniture, supplies, and copy machine repairs are good examples.

First party drafts (drafts representing policy obligations to the insured) should be included in unclaimed property reporting. Payments of the insured's car repair bill or medical expenses are typically liquidated in amount. Such drafts are often not issued until proof of loss has been accepted.

The Unclaimed Property law does not apply to a draft issued as an offer to settle a claim where the claim is not liquidated in amount or settled by subsequent drafts or other means. Drafts written to third parties to settle damages or limit future claims are considered offers to settle and are not covered under unclaimed property law. Some exemptions do exist. An example of a liquidated third party payment would be a payment sent to an ambulance service for a third party.

Auditor's tip: Don't just assume that all drafts are offers to settle. Develop a method to track unpresented drafts that are offers to settle or were settled by subsequent drafts or other means. It should be easier to track the unpresented settlement drafts because there will be fewer and the amounts are often larger dollar amounts.

Auditor's tip: To prevent the need for estimating your claims draft liability in an audit, retain claims files while an offer to settle remains open and maintain files on drafts offered in settlement for six years after the claim file is destroyed. While estimates are permitted under RCW 63.29.300 (50), it is preferable to have names and addresses to return monies to citizens.

Life Insurance Proceeds

In addition to funds payable to policyholders reaching the limiting age, matured endowments, annuities, and other maturities due or payable, are subject to RCW 63.29.070 if they remain unclaimed.

Generally, the funds are presumed abandoned five years after becoming payable. In the case of a life insurance policy where the insured appears to have reached the limiting age on the policy's mortality table, the property is presumed abandoned two years after the limiting age has been reached.

There are three administrative duties that insurers must perform under RCW 63.29.070.

1. If you are required to give notice to the insured that a non-forfeiture provision is being exercised and the notice can not be delivered to the last known address, you need to make a reasonable search to determine the correct address for mailing.

2. If you learn of the death of the insured or

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annuitant and the beneficiary has not communicated to you within four months of the death, you need to take reasonable steps to pay the proceeds to the beneficiary.

3. You need to request the name, address and relationship to insured, of each beneficiary on each change of beneficiary form issued by the insurance company for a Washington insured.

Policyholder Dividends

Dividends payable under participating policies need to be reported five years after payable. Policy dividend options can not be changed without the policyholder's authorization.

Auditor's tip: You must have a contractual right to change the dividend application option and give notice to the policyholder. Auditors usually review policies with a dividend accumulation option that were changed from a cash dividend option.

Agent's Credit Balances/ Commissions

Agent's commissions are presumed abandoned after five years per RCW 63.29.020, unless the agent is considered to be an employee of the company. Payroll commissions are presumed abandoned after one year.

Auditor's tip: Renewal commissions are prone to the following reporting errors.

1. The company ceases or reduces renewal commission in violation of the agreement with the agent.

2. The company inadvertently imposes the current contract procedures on agents covered under older agreements.

3. Old, lump-sum liabilities, where the agent detail has been lost, are written off to an income or expense account.

IRAs, KEOGHs and Other Retirement Plans

IRAs and the like are not considered payable or distributable until distribution of all or part of the funds would be mandatory. The unclaimed property is then presumed abandoned five years later. The mandatory payout age for IRA is 70 1/2. You need to age your potentially unclaimed IRAs accordingly.

REVENUE

UCP GUIDES are published by the Department of Revenue, Unclaimed Property Section. Comments and questions should be addressed to Department of Revenue, Unclaimed Property, P.O. Box 448, Olympia, Washington 98507-0448. *To request this document in an alternate format, please call (360) 753-3217. TTY users please call 1-800-451-7985. http://www.wa.gov/dor/wador.htm.*

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